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A SURVEY OF LATIN AMERICA AND

THE ALLIANCE FOR PROGRESS

* * * * *

A Research Paper

Presented to

the Faculty of the Navy Management School

U. S. Naval Postgraduate School

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In Partial Fulfillment

of the Requirements for the Degree

Master of Science in Management

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by

Paul Burnham, LT, USN

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By

Paul Burnham
Lieutenant, United States Navy

The nations comprising Latin America are in varying degrees underdeveloped. In their quest for economic development, Latin Americans can easily fall prey to the utopian promises of communism. The United States has, in recognition of this problem, entered into an Alliance for Progress with the Latin Countries. The Alliance for Progress, coupled with the Act of Bogota, is a bold new program designed to help the Latin Americans help themselves toward economic, political and social well being. In analyzing the need for this program this paper is concerned with current socio-economic conditions in Latin America, the provisions of the Alliance for Progress, and the machinery for implementation of the Alliance for Progress. Emphasis is placed on the need for social change before any program of economic aid can be successful. Consideration is given to the fact that Latins have a culture which is different from ours; and, consequently, we must expect them to adopt a system which is suitable for their own needs and not necessarily a mirror image of ours.

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CHAPTER I

INTRODUCTION

Since the end of World War II the United States has been preoccupied with the problem of advancing world communism. Billions of dollars of economic and military aid have been distributed to various areas of the world in an attempt to provide some measure of improvement in conditions in the hope that the onrushing tide of world communism could be stopped. Europe has been rebuilt from the ravages of war and is now a thriving area. Japan has been rebuilt and has made great progress. Much aid has been poured into countries with various degrees of success. Our aid has not seemed to accomplish its objective in Southeast Asia, and yet it goes on.

In all of this period, until just recently, the United States has appeared to be concerned about every part of the world except its own hemisphere. The United States has been satisfied to assume that the Monroe Doctrine and Roosevelt's Good Neighbor Policy, along with the collective security agreements of the Organization of American States, would keep Latin America free from foreign domination and world communism. Little has been done to aid Latin America in this time of cold war, and now the results of this neglect are starting to appear.

The rise of the Castro regime in Cuba, coupled with a feeling of ill-will toward the United States on the part of many Latin Americans, has awakened us to the fact that the cold war has moved to our

doorstep. The international communist movement is making a monumental drive to convert the people of Latin America. As a result, the United States has taken a "new look" at its policies toward Latin America, and some ambitious new plans have taken shape. This new approach to our policy was first embodied in the Act of Bogotá of September 13, 1960. With the inauguration of President Kennedy the spirit of the Act of Bogotá has been further extended, and the United States has entered into an "Alliance for Progress" with the Latin American countries.

The Alliance for Progress, adopted August 17, 1961, has as its purpose "...to demonstrate to the entire world that man's unsatisfied aspiration for economic progress and social justice can best be achieved by free men working within a framework of democratic institutions."¹ It is a bold new ten year plan, envisaging at least twenty billion dollars, which is designed to bring Latin America into the modern age—the twentieth century.

It is the purpose of this paper to: (1) look into socio-economic conditions in Latin America and thereby reveal its needs, (2) analyze the Alliance for Progress to determine if it meets these needs, and (3) study the machinery for implementation to determine if it is geared to truly attain the goals of the alliance.

The United States, if it is to survive as a nation of freedom and abundance, can no longer remain short-sighted in its international

¹John F. Kennedy, "Alianza Par Progreso," The Department of State Bulletin, XLIV (April 3, 1961), 471.

responsibilities. It is true that we must control the growth of international communism, for if we do not we shall perish. By virtue of our abundance we have another duty, and that duty is to help the poverty stricken and oppressed peoples of the world to attain the dignity and spiritual, material and intellectual fulfillment which has always been the goal of our civilization. We must look beyond the immediate problems of our security in the administration of aid; because our ultimate security will depend on the advancement of mankind who, through free institutions, can exist in friendship and cooperation. This will not be possible until the disparity between peoples is narrowed. The Alliance for Progress is a massive step in this direction, and its importance cannot be ignored.

Emphasis is placed in this paper on the need to recognize the social aspects of advancement. It is necessary to realize that many of the institutions of the underdeveloped countries operate in a way to prevent progress. Any aid program, if it is to be successful, must be based on a realization of the existing social culture, and it must operate either to take advantage of this culture or to change it. In assessing the value of any aid program it must be remembered that values of the United States are not necessarily those of other peoples. Any attempt to force a separate and distinct culture into an exact mold or replica of the United States is probably doomed to failure. The goals of the United States should be, in our aid programs, to help others achieve freedom and well-being; and if their particular culture dictates that some mixture of free-enterprise or methods of solving

CHAPTER II

CONDITIONS IN LATIN AMERICA

Standard of Living

The area termed Latin America comprises some sixteen per cent of the land surface of the earth. It is rich in natural resources which are awaiting development. Latin America as a whole is blessed with almost every metal and mineral known to man. The land ranges from fruitful plains, to jungle, to desert, to rugged mountains. There are millions of acres of forests which are yet to be exploited. Rivers are yet to be developed for navigation or for hydroelectric power. This vast area of almost eight million square miles supports six per cent of the world's population (188 million more or less).²

Latin America is comprised of twenty different countries, each with its own special problems, culture, racial mixture and type of government. While one must exercise caution when referring to Latin America as a whole, there are some characteristics which are generally descriptive of it. Much of Latin America may be included among what have been named the underdeveloped countries of the world. In general, these are recognized by three distinguishing characteristics:

In the first place, industrialization is either nonexistent or in its earliest stages....Secondly, the standards of living there,

²Hubert Herring, A History of Latin America from the Beginnings to the Present (New York: Alfred A. Knopf, 1961), p. 15.

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²Hubert Herring, A History of Latin America from the Beginnings to the Present (New York: Alfred A. Knopf, 1961), p. 15.

frequently expressed in terms of gross national product per capita, are relatively low. Finally—and perhaps most significantly—these areas are theatres of remarkably rapid change.³

Latin America is typical of many underdeveloped areas in that there are a few extremely wealthy people and a mass of poverty stricken people. The average income per capita in Latin America is about \$300 per year and varies roughly from a high of \$790 to a low of \$70 (see Table I). These figures are for the average income per capita and are misleadingly high. Since in each country a few people are rich and many are poor, the average income—low as it is—is higher than the median income.

Latin America is not a land of fiesta and romance as some people would still believe. A large proportion of the people live in unbelievable poverty. There is a lack of sewage facilities, elementary sanitary facilities or hygiene. People live in windowless mud huts with no floors, often huddling together with pigs, cattle, chickens or dogs to sleep. One author has described the most commonly found peon or small peasant dwelling as:

...a miserable one room hut built of mud or straw, which serves as a bedroom for the people and a corral for the animals. The sanitary conditions are simply inhuman. The children sleep on filthy straw mats laid on the floor. Promiscuity is evident everywhere, the children being free to observe their parents' intimacies. Purified water, artificial light, latrines, etc., are entirely lacking,⁴ as are the most elementary ventilation and heating facilities.⁴

³George I. Blankston, "The Aspiration for Economic Development," Annals of the American Academy of Political and Social Science, 334 (March 1961), 11.

⁴George Soule, David Efron and Norman T. Ness, Latin America in the Future World (New York: Farrer and Rinehart, Inc., 1945), p. 35.

TABLE I

LATIN AMERICA: NATIONAL INCOME
AND PRODUCT, 1958

Country	National Income			Gross National Product		
	National Currency (millions)	U.S. Dollars (millions)	U.S. Dollars per Capita	National Currency (millions)	U.S. Dollars (millions)	U.S. Dollars per Capita
Argentina	268,410	5,364	265	317,110	6,337	313
Bolivia					233 ^a	71 ^a
Brazil	976,500	7,603	121	1,260,600	9,814	156
Chile	2,315,000	2,901	398	2,818,000	3,531	484
Colombia	12,054	1,952	144	14,100	2,283	173
Costa Rica	2,025	362	338	2,450	438	407
Cuba	2,140	2,140	331	2,569	2,569	397
Dominican Republic				645	645	247
Ecuador	10,088	604	149	12,010	719	180
El Salvador				1,548	619	254
Guatemala	549	549	155	638	638	180
Haiti					247 ^a	72 ^a
Honduras	586 ^a	293 ^a	160	687 ^a	343 ^a	194 ^a
Mexico	101,800	8,151	252	114,000	9,127	282
Nicaragua					340	233
Panama					310	312
Paraguay	15,475	140	83	17,655	159	97
Peru	23,660	1,245	122	33,710	1,774 ^a	179
Uruguay					977 ^a	365 ^a
Venezuela	16,674	4,977	788	21,565	6,437	1,019
United States	366,200	366,200	2,095	441,700	441,700	2,538

^a For 1957

Source: Hubert Herring, A History of Latin America from the Beginnings to the Present (New York: Alfred A. Knopf, 1961), p. 822. Based on data in United Nations and International Monetary Fund Publications. For qualifying notes see the source.

The filth and poverty experienced in much of Latin America leads to diseases of every type which weaken the people and add to their misery. Tuberculosis, malaria, pneumonia, intestinal diseases and others take a cruel toll. Physicians and hospitals are reserved for the privileged few. For instance, in Bolivia, there is one physician for every 3,850 people, and scarcely more than two hospital beds for every 1,000 (see Table II).

The illiterate masses take their sick to village curanderos, medicine men, and buy magical herbs and strange charms in the market—the foetus of a llama, stirred in milk, is warranted to perform mighty cures.⁵

Adding to the high mortality rates experienced as a result of disease is mal-nutrition. A large proportion of the population is starving, and of those who do get adequate quantities of food, the diet is deficient in the necessities for good health. The consumption of milk and meat is extremely low in Latin America, except for Argentina, Uruguay and Paraguay. The consumption of green, leafy vegetables is almost non-existent. Instead, vegetable consumption is virtually restricted to beans. The monopolization of land in the interest of commercialized monoculture has driven both fruits and vegetables out of the diets of even the agricultural workers. Referring to the state of Bahia in Brazil one author has stated that:

Cacao is a tyrant, and it refuses to yield a single inch of soil for cultivations other than that of cacao. Certain landowners

⁵Herring, op. cit., p. 566.

TABLE II

LATIN AMERICA: POPULATION CHARACTERISTICS

Country	Medical Facilities			Nutrition		Vital Rates, ca. 1958 ^a			Life Expectancy at Birth	
	Pers. per Phys. 1955	Pers. per Dent. 1955	Pers. per Hosp. Bed 1953	Date	Daily Calory Intake	Crude Birth Rate	Crude Death Rate	Infant Mor- tality Rate	Male	Fe- male
Argentina	764	19,332	160	1955	2,980	22.7	8.1	66.3	56.9	61.4
Bolivia	3,850	9,066	480		1,110	20.8	7.2	92.7	49.7	49.7
Brazil	2,462	3,676	310	1955	2,520	43.0	20.6	170.0	49.8	56.0
Chile	1,907	3,954	185	1955	2,550	35.3	12.1	126.8	49.8	53.9
Colombia	2,939	8,818	380	1949	2,370	43.3	12.8	100.0		
Costa Rica	2,726	9,142	135			38.7	9.0	89.0	54.6	57.0
Cuba	998	3,052	300	1949	2,730	25.1	5.8	37.6		
Dominican Republic	5,165	17,667	390			41.3	8.4	75.6		
Ecuador	2,936	11,083				47.0	14.8	101.8	50.4	53.7
El Salvador	5,538	17,000	480		1,557	46.4	13.3	89.6	49.9	52.4
Guatemala	6,367	26,546	660			48.3	21.3	104.3	43.8	43.5
Haiti	10,500	33,158	1500						←32.6→	
Honduras	4,846	28,079	750	1955	2,260	43.0	11.1	64.4		
Mexico	1,896	20,345	875	1955	2,250	44.5	12.5	80.8	37.9	39.8
Nicaragua	2,610	13,105	510			41.8	8.1	65.9		
Panama	3,381	12,088	245			39.7	8.8	57.2	60.4	63.1
Paraguay	1,911	6,044	615			46.6	10.6	72.4		
Peru	2,937	9,960	500	1952	2,080	37.6	10.3	88.5	←46.1→	
Uruguay	860	1,624	175	1955	2,990	11.4	7.0	73.0		
Venezuela	1,663	9,706	395	1951	2,270	45.8	10.0	67.3		
Latin America						40.0	16.0			
U.S.A.	795	1,890	101	1957	3,100	24.3	9.5	26.9	66.3	72.5

^aBirth and death rates are numbers per thousand population.

Infant mortality rates indicate number of babies who die in their first year out of every 1000 born alive.

Source: Herbert Herring, A History of Latin America from the Beginnings to the Present (New York: Alfred A. Knopf, 1961), pp. 826-827. From data published by the United Nations. For qualifying notes see the source.

prohibit it entirely. All there is left is manioc, but local production is far from meeting consumption needs.

For a tabulation of medical facilities, nutrition, death rates and other population characteristics see Table II.

The Land Problem

In Latin America the life of most of the people depends upon agriculture. The proportion of the population in agriculture averages from 60 per cent in South America to 67 per cent in Central America.⁷ While this is indicative of a lack of modern methods and industrialization, it does not give a very good picture of conditions. The plight of most farmers is hard for Americans to imagine. Except for Mexico and parts of Costa Rica, Haiti, the Dominican Republic and El Salvador, the prevailing organization of agriculture is feudal or semi-feudal. Most of the productive land, livestock and forests are owned by a relatively small number of absentee landlords—native gentry or foreign corporations. Some examples are: (a) two-tenths of one per cent of the number of farms in Guatemala cover 40.8 per cent of the total privately owned acreage; (b) in Argentina 500 owners hold eighteen per cent of the farmland; (c) in Paraguay only 5.2 per cent of the farm units are larger than 125 acres, yet this 5.2 per cent accounts for 93.8 per cent of the total acreage; (d) in Bolivia, until recently, 6.3

⁶ Soule, et al., op. cit., pp. 20-21.

⁷ Clarence Senior, Land Reform and Democracy (Gainesville: The University of Florida Press, 1958), p. 3. From information published by the United Nations.

per cent of total agricultural units covered 91.9 per cent of the total area.⁸

Most large estates have tenant farmers. Verbal contracts between owner and tenant are common and, with rare exceptions, usually detrimental to the tenant. Few countries have laws for minimum duration of leases. In some countries the tenant typically must pay at least fifty per cent of his crop or three out of four calves born to his herd to the owner. He tries to get as much as possible out of the land but, with the future so uncertain, usually makes little effort to maintain its fertility. He has little incentive to invest capital (which he rarely has) or make permanent installations that revert to the owner when the lease expires.

The Indian is another kind of landworker that is even worse off. He has for generations had the right to farm a little plot, usually marginal land, in exchange for the obligation that all members of his family, including small children, will work so many days per week on the estate. Sometimes he enjoys the right to graze a few sheep or a cow.

Protective legislation for rural workers, in general, and especially for Indian peons, is almost non-existent. Large quantities of land are kept in a non-productive state due to speculative land buying and the prestige factor that ownership of vast tracts brings to the

⁸ Lester D. Mallory, "The Land Problem in the Americas," The Department of State Bulletin, XLIII (November 28, 1960), 819.

landed gentry. This has led to the dismal spectacle of the squatter:

Hard pressed rural workers and peasants in many areas have moved in droves to unused public or private land. Often they have done so innocently, thinking that because it wasn't used, nobody owned it. Sometimes they have worked it for years, even a couple of generations, only to be rudely⁹ awakened when the rightful owner came along to dispossess them.

The landholders, through their political power which springs from their control of resources, have succeeded in keeping rural property relatively free from taxation. Besides bolstering their control, this limits public revenues, which holds back badly needed social services and necessitates dependence for revenues on import and export duties—a highly unstable source.

When one considers these conditions and compares the figures cited on the distribution of land, it is little wonder that movements which make big promises of expropriating large estates have a great appeal to the masses. It has been stated that "the promise of land is communisms greatest weapon, but the ownership of land is its greatest enemy."¹⁰ It does little good, however, to tell the peasant that the communist program is only propaganda and that soon after he is given land it will be taken from him. He wants land now, and he is apt to jump at the first promise of getting it. He can worry about losing it after he has it.

⁹ Ibid.

¹⁰ Wymberley R. DeCoerr, "Forces of Change in Latin America," The Department of State Bulletin, XLIV (February 20, 1961), 255.

The Pattern of Economic Activity

Latin American countries are, for the most part, producers of primary products—those commodities which are entering the economy for the first time and which have undergone little or no processing. Of an estimated gross national product in 1950 of \$38.2 billion, \$9.9 billion came from agriculture and \$1.6 billion from mining.¹¹ It has been estimated that about eighty per cent of all agricultural production is foodstuffs. As is typical of underdeveloped countries, a large portion of this production is for domestic consumption. In 1953 total production of foodstuffs amounted to \$8.2 billion dollars and of this amount \$7.7 billion was for consumption.¹²

Latin American countries are dependent on foreign trade for most of their manufactured products. They are exporters of primary products and importers of manufactured consumer and capital goods. A considerable portion of the Latin American economy is geared to exports. As a result their economies fluctuate violently when the industrialized importers of Latin American products have a depression or recession.

Another characteristic is that Latin countries tend to specialize on a few exports (Brazil—coffee, Bolivia—tin, Guatemala—coffee and bananas, etc.), and the loss of an outlet bears even more heavily as a result. See Table III.

¹¹Howard S. Ellis (ed.), Economic Development for Latin America (New York: St. Martins Press, Inc., 1961), p. 314. From information published in United Nations, Economic Survey of Latin America, 1953.

¹²Ibid.

TABLE III

**LATIN AMERICA: EXPORT DEPENDENCE ON SINGLE
COMMODITIES (1957-1959 AVERAGE)**

Country	Primary Export Commodity	Percentage of Total Export Earnings
Argentina	Meat	26
Bolivia	Tin	62
Brazil	Coffee	58
Chile	Copper	66
Columbia	Coffee	77
Costa Rica	Coffee	51
Cuba	Sugar	77
Dominican Republic	Sugar	48
Ecuador	Bananas	57
El Salvador	Coffee	72
Guatemala	Coffee	72
Haiti	Coffee	63
Honduras	Bananas	51
Mexico	Cotton	25
Nicaragua	Cotton	39
Panama	Bananas	69
Paraguay	Timber	24
Peru	Cotton	23
Uruguay	Wool	54
Venezuela	Petroleum	92

Source: International Monetary Fund, International Financial
Statistics, November 1960.

The fluctuations from dependence on single primary export commodities are further aggravated by the fact that Latin American exports are concentrated on a few industrialized nations. A shift of tastes, tariffs or quotas, the introduction of substitutes or alternative sources all have a marked effect on particular countries whose products are affected. This concentration on a few industrialized customers is indicated in Table IV.

Latin American countries are faced with a further dilemma in their trade—prices of manufactured imports are rising and prices of primary exports are not keeping pace. This plus the instability mentioned above is placing a heavy unfavorable balance of payments burden on them. In 1958 Latin America's balance of payments was a minus 983 million dollars. See Table V. While the balance of payments trend indicated in Table V is exaggerated by an adverse trend in Venezuela's external situation, the adverse trend is apparent. These trends are in spite of the fact that exports remained relatively stable and imports decreased during this period. It is interesting to note that a major portion of Latin American trade is with the United States and is therefore extremely affected by United States business cycles as well as decisions such as ceasing to stockpile tin, etc.

The one-sidedness of the economies of Latin Nations (i.e. lack of industrial development) is aggravated by the fact that Latin America is not a single economic area. Latin America functions chiefly in terms of twenty separate national economies. Thus, the displacement of a product bears not upon Latin America but upon one country. Efforts

TABLE IV

AREA DISTRIBUTION OF LATIN AMERICAN TRADE, 1957-59

Country	Average Percent Distribution of Exports to				Average Percent Distribution of Imports to			
	US and Canada	Latin America	Western Europe	Rest of World	US and Canada	Latin America	Western Europe	Rest of World
Latin America ^a	47	9	30	14	53	10	28	9
Argentina	12	14	66	8	21	25	39	17
Bolivia	34	6	57	3	47	21	30	2
Brazil	47	10	34	9	37	19	32	12
Chile	41	9	49	1	53	14	30	5
Colombia	72	2	21	6	63	4	29	4
Costa Rica ^b	58	7	35	-	55	8	28	9
Cuba ^b	66	3	17	14	75	6	13	6
Dominican Republic	50	3	41	6	65	5	21	9
Ecuador	57	12	26	5	54	6	37	3
El Salvador	41	7	41	11	50	15	30	5
Guatemala	66	5	28	1	61	9	25	5
Haiti ^c	38	1	58	3	70	1	19	10
Honduras	65	18	14	3	60	11	16	13
Mexico	77	5	11	7	78	1	18	3
Nicaragua	36	7	43	14	57	12	21	10
Panama	94	2	1	3	57	14	16	13
Paraguay	27	33	30	10	24	36	28	12
Peru	36	17	36	11	51	8	35	6
Uruguay	10	8	61	21	20	29	40	11
Venezuela	44	35	16	5	61	2	33	4

^a Figures are for the 1956-58 period.

^b Imports are for the period 1956-58.

^c Figures are for 1955-56.

Source: International Monetary Fund, International Financial Statistics, 1959.

TABLE V

LATIN AMERICA: INTERNATIONAL TRADE--1958

Country	Value of Exports	Value of Imports	Trade Index Numbers (1953 = 100)				Balance of Payments ^a		
	U.S. Dollars (millions)	U.S. Dollars (millions)	Exports		Imports		1956	1957	1958
			Unit Price Index	Volume Index	Unit Price Index	Volume Index			
Argentina	993.9	1,232.6	74	120	89	175	-49	-226	-213
Bolivia	55.7	59.8					-3	-3	-6
Brazil	1,243.0	1,352.9	79	99	85	87	198	-174	-270
Chile	388.5	414.8	77	156	98	118	-4	-85	-22
Colombia	454.0	393.9	90	83	102	67	-61	71	115
Costa Rica	96.9	99.3	98	120	105	114	-13	1	9
Cuba	733.5	777.1	98	115			-11	-73	-74
Dominican Republic	136.6	129.5	105	128	87	172	-2	3	-2
Ecuador	96.4	87.3	115	132	93	141	-4	4	1
El Salvador	116.5	107.6	91	143	101	146	-5	6	2
Guatemala	102.5	150.0					8	4	-26
Haiti	48.2	40.1	96				-1	-7	-6
Honduras	71.9	66.6					-3	-2	-4
Mexico	760.9	1,127.7					97	-31	-85
Nicaragua	71.1	77.9	87	156			-10	3	-3
Panama	21.1	93.0	97	123	99	134	12	-5	19
Paraguay	34.1	32.6					4	-3	-2
Peru	291.5	335.3	92	121	81	125	-4	-28	-11
Uruguay	138.6	134.7					16	-65	-16
Venezuela	2,319.6	1,432.3					414	495	-390
Latin America	8,218	8,483	90	120	100	130	580	-115	-983
USA	17,874.5	12,846.3	106	106	100	119			

^aSource: United Nations, Economic Survey of Latin America, 1958.

Source: Herbert Herring, A History of Latin America From the Beginnings to the Present (New York: Alfred A. Knopf, 1961), p. 824. Compiled from data supplied by the University of California, Los Angeles, and United Nations and U. S. Bureau of Foreign Commerce publications. See the source for qualifying notes.

are being made to integrate the economies of several countries (e.g. a Central American Common Market), but results have not yet become significant.

Latin America is very dependent upon foreign capital. This is to be expected; because like any region in the early stages of development, the people are unable to save enough to meet investment needs. Also, the very wealthy often prefer to hold inefficiently managed real estate or to export capital to the United States or Europe. With the political unrest and social turmoil that is taking place in Latin countries, there is a decided fear on the part of foreign private investors to invest in Latin America. The recent events in Cuba certainly have not been conducive to an inflow of private capital to the area.

A further impedance to the formation of domestic capital has been the excessive inflation which has occurred. See Table VI. Uncertainties about the future domestic and foreign exchange value of the currency, and a complex system of exchange controls to which inflation gives rise are major obstacles to the investor.

Development of many of the resources of Latin America will depend upon public investment in transportation networks and other public capital. There are only 68 miles of road per thousand square miles of area as compared with 1131 miles of road in the United States. It goes without saying that manufacturing industry must be expanded if Latin America is to achieve a balanced economy. For a tabulation of selected economic characteristics see Tables VII and VIII.¹³

¹³ A complete discussion of economic development needs is included in Ellis (ed.), op. cit.

TABLE VI
LATIN AMERICA: COST OF LIVING INDICES
1950-1960 (1953 = 100)

Country	1950	1952	1954	1956	1958	1960
Argentina	51	96	104	132	217	590
Bolivia	30	50	224	1126	2498	3350
Brazil	62	82	118	173	237	433
Chile	53	80	172	471	752	1160
Colombia	88	93	109	116	153	169
Costa Rica	95	100	103	107	113	114
Cuba	92	102	97	97	-	-
Dominican Republic	93	101	98	99	102	98
Ecuador	-	100	103	100	102	104
El Salvador	82	94	104	107	107	107
Guatemala	95	97	103	106	106	104
Haiti	-	108	104	110	112	-
Honduras	91	98	106	110	111	110
Mexico	79	102	105	128	150	161
Nicaragua	74	89	108	118	118	114
Panama (Panama City)	97	102	100	100	99	99
Paraguay	19	59	120	180	222	265
Peru	78	92	105	116	135	165
Uruguay	72	94	112	130	175	333
Venezuela	93	101	100	101	103	112

Source: Committee for Economic Development, Cooperation for Progress in Latin America, April 1961. Compiled from data supplied by the International Labor Office.

LATIN AMERICA: SELECTED ECONOMIC CHARACTERISTICS,
COMMUNICATIONS

Country	Motor Vehicles In Use ca. 1957		Motor Roads ca. 1956		Railways 1958		Telephones in Use 1957-58	
	Total (thou- sands)	Per Thou- sand Persons	Miles of Road	Miles of Road per Thous. Sq. Miles of Area	Miles of Route	Route Miles per Thous. Sq. Miles of Area	Total (thou- sand)	Per Thou- sand Persons
Argentina	608.0	31	89,100	83	27,700	25.7	1,181.1	59
Bolivia	35.5	11	9,100	21	2,000	4.8	23.2	7
Brazil	785.0	13	190,300	58	24,900	7.6	869.8	14
Chile	108.2	15	30,200	106	8,000	27.8	160.3	22
Colombia	150.5	12	10,700	24	2,000	4.5	222.9	17
Costa Rica	20.9	20	4,700	236	700	35.7	12.4	12
Cuba	213.3	33	2,200	48	3,400	77.6	151.4	24
Dominican Republic	14.6	5	2,000	108	400	19.8	14.7	5
Ecuador	22.4	6	6,000	56	600	6.0	22.0	6
El Salvador	18.3	8	3,900	475	400	49.9	11.2	5
Guatemala	29.4	8.5	8,100	193	450	10.8	11.7	3
Haiti	8.7	3	1,800	174	200	17.4	4.2	1
Honduras	8.2	5	900	21	345	8.0	4.7	3
Mexico	581.5	19	117,000	155	12,700	16.7	413.0	13
Nicaragua	13.4	10	4,700	82	200	3.7	6.3	5
Panama	22.0	23	1,300	48	370	12.7	23.0	24
Paraguay	8.0	5	4,600	29	700	4.3	8.2	5
Peru	118.9	12	22,300	45	2,100	4.3	79.2	8
Uruguay	85.8	34	6,300	88	1,900	25.9	128.9	48
Venezuela	249.2	42	10,700	31	300	1.0	139.8	23
Latin America	3,101.8	16	526,000	68	89,300	11.6	3,488.2	18
USA	67,135.0	392	3,418,000	1,131	240,000	79.4	63,620.9	371

Source: Center of Latin American Studies, University of California, Los Angeles, Statistical Abstract of Latin America, 1960. For qualifying notes see the source.

TABLE VIII

LATIN AMERICA: SELECTED ECONOMIC
CHARACTERISTICS—INDUSTRY

Country	Per Capita Consumption		Electric Energy, Ca. 1957				Thousands of Persons Engaged in:		Economically Active Pop.	
			Installed Cap.		Production for Public Use KWH (millions)	Mining ca. 1955	Manufacturing ca. 1955	Total (thousands)	% of Total Pop.	
	Energy, 1958 (lbs. coal equivalent)	Steel 1957 (lbs.)	KW (thous.)	% Hydro-electric						
Argentina	2,513	157	2,212	3.6	6,857	38.1	1,422.1	6,446	40.6	
Bolivia	302		112	73.2	223		15.9	1,351	50.0	
Brazil	736	68	3,550	69.9	10,281	43.8	1,505.8	17,117	33.0	
Chile	1,761	154	969	53.0	2,468		172.0	2,188	36.9	
Colombia	992	46	553	61.1	1,379	19.9	135.0	3,756	33.4	
Costa Rica	573		81	49.3	290	0.3	18.0	272	34.0	
Cuba	2,066	99	645		972		35.1	2,060	35.3	
Dominican Republic	421		60		258		79.0	1,061	38.6	
Ecuador	330		74	35.1	235	0.6	29.9	1,444	37.6	
El Salvador	273		55	21.8	178	1.6	60.3	653	35.2	
Guatemala	309		46	63.0	124	0.4	19.8	1,200	34.8	
Haiti	64		25		26			1,747	56.4	
Honduras	265		22	22.7	62	0.8	14.7	647	47.3	
Mexico	1,664	95	2,270	49.3	6,764	76.4	1,477.8	10,169	32.4	
Nicaragua	284		42	21.4	57	4.3	21.1	330	31.2	
Panama	1,003		32		137			265	35.0	
Paraguay	185		50		59		34.4	437	32.9	
Peru	686	40	400	55.2	675	50.0	59.8	2,475	39.9	
Uruguay	1,466	117	285	44.9	1,155	1.3	171.0	1,020	36.4	
Venezuela	5,622	560	500	14.0	1,908		138.1	1,706	33.9	
Latin America	1,305		11,900							
USA	16,843	1,252	146,075	20.4	631,380	787.0	17,177.3	70,746	41.3	

Source: Herbert Herring, *A History of Latin America From the Beginnings to the Present* (New York: Alfred A. Knopf, 1961) p. 829. From data published by the United Nations. For qualifying notes see the source.

CHAPTER III

THE PEOPLE

If any attempt to solve the problems of Latin America is to be successful, it is first necessary to understand the people. The culture, values and institutions of Latin America are markedly different in many respects from those that are common to the United States. The problems that must be solved can only bring long term gains if the methods for their solution have the support of the people. This support can best be obtained through knowledge and consideration of the culture, values and social forces of the society.

Illiteracy

The ability of the Latin American people to raise their standard of living and improve conditions generally is severely limited by the level of education attained. Illiteracy is almost the order of the day in most countries. In many countries, the illiteracy rate runs over fifty per cent and reaches a high of 89.3 per cent in Haiti. See Table IX.

Before any substantial gains can be made in the living standards and economic activity of the people, it will be necessary to provide the people with at least enough education to read and write. It is generally accepted that there must be a high level of education if a democratic form of government is to succeed. If Latin Americans are to progress through free institutions, illiteracy must be eliminated. The following

TABLE IX

**LATIN AMERICA: EXTENT OF ILLITERACY AND NATIONAL BUDGET
EXPENDITURE ON EDUCATION COMPARED WITH
DEFENSE EXPENDITURE, 1958**

Country	Illiteracy (% of Pop. 10 yrs. of age & over)	National Budget Expenditures			
		National Currency (millions)	U.S. Dollars (millions)	Education (% of Total)	Defense (% of Total)
Argentina	13.3	40,702	813	14.3	21.1
Bolivia	68.9				
Brazil	51.4	140,527	1,094	10.7 ^b	27.6
Chile	19.4	378,200	474	15.7	21.9
Colombia	38.5	1,336	216	10.7	5.7
Costa Rica	21.2	315	56	19.6	3.8
Cuba	23.6				
Dominican Republic	56.3				
Ecuador	43.7	1,338	81	10.8	21.6
El Salvador	57.8	181	72	15.4	10.2
Guatemala	70.3	107	107	11.7	8.8
Haiti	89.3	146	29	13.4	19.1
Honduras	66.3	76	38	11.1	11.7
Mexico	43.2	7,777	623	14.7	11.3
Nicaragua	62.6				
Panama	28.2	94	94	13.1	
Paraguay	31.8				
Peru	57.6	6,197	253	16.8	21.4
Uruguay	15-20				
Venezuela	51.1	5,184	1,548	6.3	9.5
USA	2-3	71,936	71,936	a	61.4

^aSince U. S. education is largely in the hands of local and state governments, the figures are not comparable.

^bIncludes expenditures for both health and education.

Source: Hubert Herring, A History of Latin America From the Beginnings to the Present (New York: Alfred A. Knopf, 1961), pp. 823, 827. Based on data in United Nations publications and International Monetary Fund publications. For qualifying notes see the source.

encounter of a writer with an indian in Ecuador is an example of the problem:

I told him I was a foreigner. He said he had heard of France. Not France, the United States, I said. He said, was that Peru?

Jose Manuel's idea of the world was the valley in which he lived, an outer world consisting of Cuenca, Ona, Quito, Toja, Saraguro, and beyond them France on the one side and Peru on the other.

France was the country to which wealthy owners of large pieces of land sent their sons for an education. Peru was the country of great wealth which lay to the south....His political ideas were fully as vague. He had not heard of any of the last three Presidents of Ecuador. It was not clear...whether he thought himself Ecuadorian or not.¹⁴

The illiteracy situation will not be easily solved, because there is a decided lack of teachers. Many of the people are scattered throughout large areas with no ready access, and the lack of buildings and facilities for education is marked. All of these factors, of course, depend upon huge expenditures for their solution. Even where some opportunity for education is available, attendance is poor; because parents often depend on the labor of children or are too poor to afford clothing for them.

Some progress is being made in the drive to combat illiteracy through various travel grants and assistance programs conducted by the United States and some other countries. Fellowships and training programs in the United States and other countries are helping to provide needed educators, but the population explosion is increasing the need for them much faster.

¹⁴ Albert B. Franklin, Ecuador: Portrait of a People (New York: Doubleday and Company, Inc., 1943), pp. 200-201.

Latin American Nations have not made a real attempt to correct the problem as the budget figures in Table IX, page 23, indicate. In almost every case defense expenditures are higher than education, while the United States has effectively guaranteed the security of the Latin American Nations through collective security agreements.

The Population Explosion

Latin America is experiencing a veritable explosion in population. The population growth rate is the highest in the world. The population of Latin America was estimated to be 205.8 million in 1960, 304.1 million in 1975 and 592.8 million by the year 2000.¹⁵ This is a gain of 188 percent in forty years, and it indicates that Latin America will have a population double that of the United States by the turn of the century.

Some of the results of this rapid growth can be rather serious. Because the life expectancy is still rather low, it indicates that Latin America will have a young population. This will place additional heavy burdens on the educational system. The population, according to Halperin's analysis, has risen faster than food production; and since World War II the city population has grown three times faster than the rural population, creating political and social tensions among the uprooted peasants who have migrated to the cities.¹⁶ Considering the low per capita income

¹⁵ Kingsley Davis, "Recent Population Trends in the New World: An Overall View," The Annals of the American Academy of Political and Social Science, 316 (March 1958), 4. From estimates made by the Population Branch, United Nations.

¹⁶ Maurice Halperin, "Latin America in Transition," Science and Society (Fall 1956), 290-319.

and the fact that the economic growth rate is slowing down, it will take a major increase in the economic growth rate just to maintain a level of subsistence. The inadequate levels of medical care and housing will be severely strained just to keep up with the increasing needs.

Accompanying the increase in total population is a rapid trend in population movement to the urban areas. This is, of course, adding to the housing and economic problem of the cities; but it is having a much more significant impact, which is not so easily recognized. As the people come into contact with the "twentieth century", there is a realization that life can be better and that the old order must be eliminated.

The Class Structure

Under colonial rule, and for some fifty to seventy-five years following independence, Latin America was dominated by a fairly rigid two class system—a landowning aristocracy and a lower class composed of peasants and servants. There was also a small middle class of merchants and artisans, etc. As racial intermingling proceeded, large numbers of ~~peasants~~ mulattoes and other mixed types appeared, some of whom assumed middle class status, which was also open to "pure" Indians who acquired education and "civilized" culture. In the latter half of the nineteenth century many countries also received large numbers of European immigrants, most of whom found their way into the middle class.

Today at least two lower classes, two upper classes and a large

and growing middle class can be identified.¹⁷ One of the upper classes consists of the old landed aristocracy or its remnants. For it, descent based on antiquity and class purity of hereditary lines is of fundamental importance. The other upper class is composed mostly of self-made men who either in business or politics have accumulated fortunes enabling them to live on a luxurious scale. It is this second upper class which owns most of the larger business enterprises not controlled by foreign corporations. This second upper class is open to those who can achieve success within the structure of power and influence. The second upper class usually has no close alliance with the church, which has been one of the bastions of the landed class. Further, it exerts power and influence through business organizations; and it is inclined to be regarded as flexible rather than rigid. Since most of the self-made men have risen from the middle groups, they tend to share the same values and confusions of the middle groups.

The lower classes consist of: (1) the mass of agricultural workers and (2) industrial workers, including factory workers and labor employed in the extractive industries. The distinguishing features of the lower class as a whole are that it earns its living by manual labor and is less than literate.

¹⁷ Richard N. Adams, et al., Social Change in Latin America Today (New York: Harper and Brothers, 1960), pp. 22-24.

The Crucial Middle Class

Between the upper and lower classes lies the large and growing middle class. This class is unconsolidated and somewhat unstable; but its members, nevertheless, hold a traditional ethos and have access to the press, radio, television, mails and other media of mass communication. They have sufficient education to be influenced by and to influence the larger outside world. "Above all, they aspire to a better life and to progress...[and they are] a prime target for ideological propagandists of all shades from the outside world."¹⁸

The middle class may be termed the class in search of a future. This group includes a wide social span from the country school teacher, to the storekeeper, to professional military officers, managers of business concerns, university professors, and members of cabinets. Its emergence has been stimulated by a spread in education and by expanding opportunities in trade and industry coupled with the increasing need for literate and technically qualified people in both government and enterprise. "Today, practically all prominent politicians, whether military or civilian, are of middle background."¹⁹

It is the middle class which must be understood, for it is through the middle class that social progress will be made. It is this class that will determine the path to be followed in the future. One author in a penetrating analysis of social conditions in Latin America

¹⁸ Ibid., p. 24.

¹⁹ Ibid.

has stated:

...the middle groups constitute beyond doubt the segment of society most in touch with the modern world, most susceptible to influences for change, and most potent in the internal and international affairs of their own nation. Not only are most professional politicians and army officers from the middle strata; so are practically all intellectuals—writers, painters, journalists, actors...professors, schoolteachers, doctors, lawyers...and scientists. These articulate people speak to the outside world for Latin America and the outside world must speak to Latin America through them. They supply most of the wordage that passes through the media of communication... and, not least, the formal educational systems.²⁰

The values which are held in common by most members of the middle class determine how they will decide among alternatives offered by competing cultural and political systems of the outside world. Some of these controlling values may be grouped as follows: personalism, kinship, hierarchy or stratification, materialism of special kind, transcendentalism or interest in spiritual values, the high worth of inner states and emotional expression, fatalism, decency in mode of life and disdain for manual labor.²¹

For the middle class Latin American, dignity and individuality are central. Emphasis is placed on the uniqueness of each person and his soul. For the middle class individual, only those with whom he feels an intimate personal relationship are trustworthy. Personal friendship, plus a kinship relationship of some kind, is essential for getting something accomplished. Any program, such as Point Four, requires the "personal touch" if it is to succeed.

²⁰ Ibid., p. 26.

²¹ Ibid., pp. 28-47. The scope of this paper limits a full discussion of these values; however, the reader is urged to study the source for a full discussion of the subject.

The culture is strongly influenced by hierarchy. For the Latin American, the universe, including society has been arranged in a series of strata. This emphasis on hierarchy seems to contradict the value attached to individualism or inner uniqueness, but the distinctive worth of the individual has nothing to do with his social position—advancement may come as the result of fulfilling ones inner uniqueness. Latin Americans do not believe that all men are created equal. One cannot be equal if he is unique. The value of hierarchy is reflected "...in the strong sense of social position, in the pattern of 'decency' of living standard, valued as much or more for symbolic than utilitarian values".²² This value brings the expectation that someone "higher up" owes one obligations and explains why the state has moved to provide welfare programs of many kinds. Some of these "welfare state" provisions may be looked upon by some in the United States as dangerously socialistic; however, they should probably be considered as responses to deep seated values and as defenses against communism.

The Latin American variant of materialism could be termed "tangible materialism"—i.e., trust only that which you can put your hands on. Securities are mere pieces of paper; they are not tangible like land and buildings. It has been difficult, as a result, to finance large scale undertakings even when people do have money.

Latin Americans have a deep respect for ideas and philosophy. There is a cultural idealism which pervades every phase of life. Their

²²Ibid., p. 36.

consuming interest in ideas and sentiments:

...makes Latin Americans responsive to outside ideologies and emotional appeals. It is no accident that the Four Freedoms, set forth in the Atlantic Charter, were eagerly accepted...or that Marxist ideology has received careful study....Because of their admiration for a certain elegance in argumentation, Latin Americans are not slow to identify and ridicule inconsistencies and confusions which they perceive in U. S. propaganda.²³

These are only some of the basic values, briefly sketched, which shape the outlook of the middle groups. They suggest some of the outlooks which these groups might take in the growing turbulence of change which is present in Latin America today.

The Dominance of Change

The dominant characteristic of the whole of Latin America is that of change. Accompanying the population explosion is a social revolution which will pale the usual political and military revolutions into insignificance. Dramatic changes are taking place in the areas of social structure, economic life, religion, political life and international relations.

The emergence of the middle class and the development of a moneyed upper class have already been noted. The growth of the urban working class has been accompanied by the development of trade unions. These in turn are spreading to the rural laborers and to workers employed in the extractive industries. This new laborer class, in contrast with the old peon, has begun to display independent political power, usually organized and led by middle group politicians who have recognized its potential.

²³ Ibid., p. 43.

Although all of the national economies rely mainly on exporting of raw materials, livestock and foodstuffs to earn the bulk of their foreign exchange, the economic patterns are becoming less "semicolonial". Many new contracts with large foreign owned corporations have been designed to make the host countries partners in these basic enterprises. In these large enterprises both the labor force and most administrative and supervisory personnel are native. This is providing a new corps of specialists and executives, and it reflects the growing power and competence of the middle groups.

The system of large landed estates held by the old aristocracy is under attack throughout Latin America. Some method of land redistribution is inevitable when one considers the present situation.

The influence of the Catholic Church is receding and has been on the decline for decades. In the minds of many middle status people, it has been stated that:

...the church, if not regarded as an antiquated and expensive relic of no modern significance, is actively resented for its alleged "reactionary" position and its traditional support for the hereditary aristocracy, with its landed monopoly.²⁴

The church has failed to take account of the present upheaval, and the result has been religious ferment. The notion that communism cannot make headway in Latin America because the people are safely Catholic can no longer be complacently accepted.

Practically everywhere the old division between conservative and liberal parties is breaking down. The numerous parties that have filled

the resulting void have been notoriously unstable and irresponsible with one exception—the Communist Party. This party offers a plausible platform or program from which it rarely deviates in principle. It has shown itself to be adept at making the surface compromises and expedient alliances for which it is well noted. The Communist party displays cohesion and discipline among its members and has gained the support of many middle class intellectuals, yet its total membership is estimated at only 200,000.²⁵ Because the Communists are dedicated and disciplined, its influence is much greater than its numbers would indicate, however.

Rising Aspirations

A by-product of the population trend toward the cities, of growing contacts of the rural laborers with the more affluent areas through military service or travel, and the modest increase in communications has been another type of explosion—an explosion in aspirations. There is a growing awareness of the disparity of income distribution both within each country and between Latin America and the industrial nations. Two authors have cogently expressed these aspirations:

Disease, poverty and illiteracy may have been patiently endured in the past by all the underprivileged, who at that time had no basis for even imagining a better life. Today, however, that situation has radically changed, for by now even the most remote villages in Latin America have felt the impact of modern scientific and technological advances. Many millions have thus awakened to the real-

²⁵ W. W. Pierson and Federico Gil, Governments of Latin America (New York: McGraw Hill, 1957), p. 323.

ization that poverty is not inevitable. Indeed, they now avidly expect their living standards to improve in the not too distant future.²⁶

Villagers who only ten or twenty years ago seemed sleepily content to live along dusty or muddy tracks, without electric lights or running water, without schools, with no hospitals or doctors, have discovered that these things make life more pleasant—and have been assured that they have a right to them. City workers have learned that bricklayers, porters, chauffeurs, washerwomen elsewhere enjoy what to them seem incredible luxuries—cars, refrigerators, travel, education, and opportunity for their children. There is a world in a hurry at our door. It is no longer possible to plead, as the older ruling classes have done, that our progress of 200 years cannot be duplicated elsewhere in a shorter time.²⁷ Either evidence is forthcoming that it will be soon, or else.

These aspirations for a better life will not be easily controlled.

Since the people are eager to enter the "twentieth century", they can easily fall prey to various forms of totalitarian control in their quest for an increased standard of living. Those who would promise a better life the "easy way" are likely to win many adherents. The rage to riches propaganda of the Communist Party is effective because the Russian development has taken place so recently. Does not the promise of immediate freedom from hunger and disease appear more desirable than a nebulous concept of political freedom, which really has no meaning to the hungry?

If this hemisphere is to remain free from Communist domination, the United States must act to produce the necessary changes in Latin

²⁶ Raúl Prebisch, "Latin America: The Challenge and the Task Ahead," United Nations Review, VIII (November 1961), 39.

²⁷ Lester D. Mallory, "Social Implications of the Act of Bogota," U. S. Department of State Bulletin, XLIII (December 5, 1960), 866.

America in short order. In taking this action, full consideration must be given to the changing values and social turmoil that characterize Latin America. The task is to promote social change in such a way as to permit Latin Americans to reach their aspired goals and still promote free institutions in the process.

Many of the problems that must be solved have been mentioned earlier. In the solution of these problems (land reform, education, increased per capita income, increased public facilities, etc.) many of the upper or ruling groups will be hurt. It is these groups who now control the resources and who hold a great amount of power. It must be remembered that Latin Americans have shared, in varying degrees, a time honored class structure with mutual respect between classes and definite social disciplines. This whole traditional structure is now collapsing fast, to the consternation of those who have been accustomed to rule. Latin Americans have discovered that the old prejudices and interests were not right and that their aristocracies were not preordained or sacred. We must sympathize with the social groups whose habits and traditions are threatened. Much tact must be used if they are to be persuaded that they must take a hand in speeding up social evolution in order to salvage the best of their traditions from the havoc of revolution.

The problems have been outlined, and it is toward their solution that the Alliance for Progress is directed. President Kennedy has stated it this way:

...our greatest challenge comes from within—the task of creating an American civilization where spiritual and cultural values are strengthened by an ever broadening base of material advance, where, within the rich diversity of its own traditions, each nation is free to follow its own path toward progress.²⁸

²⁸Kennedy, op. cit., p. 474.

CHAPTER IV

THE ALLIANCE FOR PROGRESS

Past Aid to Latin America

The economic conditions of Latin America have been indicated. There is a tremendous need for capital which must come largely from external sources. Latin Americans must invest in such a way as to convert their one-sided economies into balanced economies and at the same time bring an increased standard of living to the people. In the past, great sums of money have been invested in Latin America both from private sources and various aid programs. Tables X and XI show a summary of private U. S. direct investment and U. S. economic aid to Latin America. In addition to these sources of capital from the United States, other sources of capital are made available through various international organizations such as: The World Bank, International Monetary Fund, International Finance Corporation and the International Development Association.

Undoubtedly, the inflow of capital through private and public aid programs has improved the lot of the Latin American countries. Aid has generally been characterized, however, as a purely economic or money approach to the problems of Latin America. As such, the aid programs have been largely uncoordinated and have often benefited those who need it the least. In the past it has been the assumption of technical aid programs that the introduction of technological change will by itself bring the broader outlook on the part of the people aided. It has become increasingly apparent that the introduction of new technology does

TABLE X

NET LONG TERM CAPITAL FLOW TO LATIN AMERICA
FROM U.S.A. PRIVATE SOURCES
AND THE WORLD BANK, 1950-1959
(MILLIONS OF DOLLARS)

Years	Total (net)	U.S.A. Private (net)				World Bank		
		Direct Invest- ment	Undistributed Subsidiary Earnings	Other	Total	Disburs- ment	Repay- ments	Net
1950	161	40	109	-27	122	39	-	39
1951	441	166	249	-30	385	57	1	56
1952	610	277	303	-34	546	66	2	64
1953	287	117	152	-28	241	50	4	46
1954	377	88	123	103	316	69	8	61
1955	664	193	192	215	600	77	13	64
1956	959	612	212	55	879	95	15	80
1957	1627	1163	239	164	1566	82	21	61
1958	521	299	143	37	479	72	30	42
1959	724	338	202	153	693	68	37	31
Total	6371	3293	1926	608	5827	675	131	544

Source: Committee for Economic Development, Cooperation for Progress in Latin America, April 1961. From data published by the Office of Business Economics, U.S. Department of Commerce and from the World Bank.

TABLE XI

U. S. ECONOMIC AID TO LATIN AMERICA
FISCAL YEAR 1946 THROUGH 1960^a—
OBLIGATIONS AND OTHER COMMITMENTS

Country	Mutual Security Program (Millions of Dollars)			Non-Mutual Security Program (Millions of Dollars)			
	International Cooperation Administration Total ^b	Develop- ment Loan Fund	Other	Public Law 480	Export Import Bank	Other (d)	Total
Argentina	1.5	24.8		34.8	390.8	0.1	452.0
Bolivia	127.8	4.0		23.6	24.3	10.6	190.3
Brazil	37.6	0.2		164.4	986.8	45.4	1,234.4
Chile	24.5	10.8	10.5	66.2	209.0	5.1	326.1
Colombia	11.0			60.8	135.4	2.6	209.8
Costa Rica	10.7	0.3		1.0	21.0	29.6	62.6
Cuba	2.8			(c)	37.5	0.5	40.9
Dominican Republic	2.0					0.6	2.7
Ecuador	18.9	10.0		8.7	23.2	3.7	64.5
El Salvador	7.2			1.0		1.8	10.0
Guatemala	63.9	5.4		4.6	6.2	35.1	115.2
Haiti	31.6	7.6		7.5	27.0	3.0	76.7
Honduras	13.9	7.8		2.4	3.5	6.8	34.4
Mexico	7.0			14.8	343.5	99.6	464.9
Nicaragua	6.4	3.1			12.1	19.3	40.9
Panama	13.0			5.2	16.8	23.2	58.2
Paraguay	15.0	7.1		3.2	10.1	2.9	38.3
Peru	23.7	4.5		40.5	191.7	10.6	271.0
Uruguay	1.8	8.8		21.9	2.6	3.2	38.3
Venezuela	1.2				13.9	1.5	16.6
Overseas Territories	8.2			6.2			14.4
Regional	15.1		14.1				29.2
Total	444.8	94.4	24.6	467.0	2,455.6	305.1	3,791.5

^aThese data include preliminary figures for fiscal year 1960.

^bExcludes worldwide malaria eradication program.

^cLess than \$50,000.

^dFiscal year 1960 data not available; expenditures for Latin American Highway estimated at about \$4,000,000.

Source: Congressional Digest, XLII (February 1961), p. 41.

not foretell its later use; it does not necessarily promote the broader development of the community or lead to beneficial change. If increased economic benefits are channeled through traditional value and social systems, it will only serve to intensify the old imbalances. Increased income, for instance, may be spent in gaining prestige through staging more elaborate fiestas rather than be put to productive uses. "The offering of technical aid alone has, in fact, often resulted in arousing the expectation of more technical help to come and in developing highly opportunistic attitudes on the part of the recipients."²⁹

Promoting Social Change

If any economic and technical aid program is to succeed, necessary changes in the social systems must precede or accompany it.

Assistant Secretary of State Mallory has stated that:

...any purely economic, any strictly money approach to Latin America's very real and very urgent problems would provide no solid defense against Communist attack from within and without...The hemispheres social problems demand at least as high priority consideration as its economic.³⁰

If the policies of the United States are to be understandable and attractive in the Latin American nations which are undergoing basic changes in their social order, the problem is how to identify those policies with their own best interests. The best interests of the ruling classes are not identical with those of the rural laborers. From

²⁹ Adams, et al., op. cit., p. 98.

³⁰ Mallory, op. cit., p. 855.

a practical standpoint, the solution is to identify policy not with the conflicting desires of various groups, but with those changes that are likely to shape the new stage of the evolving social order. This policy must focus on the emergent middle class and on those changes which are strengthening its role.

A basic change in U. S. attitudes is necessary if any program of aid is to succeed. In the past our propaganda programs have held up our democracy as the model system and has indicated that progress can be achieved, if certain puritan ideals are followed. Although many Latin Americans admire the U. S. for its achievements, few feel that its model of democracy will work with precision in their own countries. The centuries of heritage are treasured as much by them as our heritage is by us. From the Latin viewpoint:

...whatever policy the United States may have in the field of social change appears essentially one of making ³¹over his country in an image close to that of the United States.

The policy changes indicated here are quite simple. The U. S. must cease its boasting of achievements by lectures, movies and other propaganda. Instead the U. S. should emphasize the ways in which it is helping Latin Americans to achieve their national goals through the tools the U. S. is offering. Only a dynamic policy concerned with the movement of social change, a policy that provides model ideas and a focus of aspirations, can compete effectively with the promises held out by Communist propaganda.

³¹ Adams, et al., op. cit., p. 276.

The Act of Bogotá

That a change in U. S. policy was needed, was realized by many prior to 1960; but it was on September 3, 1960, that this new approach was finally culminated in the Act of Bogotá. The Act of Bogotá is a primary element in the more famous Alliance for Progress and, in fact, is the basis upon which the Alliance was formed. The Act of Bogotá is a completely new look in U. S. foreign policy; it is the first real effort to attempt to know and understand what must be accomplished if progress is to be achieved in Latin America. Assistant Secretary of State Mallory has embodied the goals and the spirit of the Act of Bogotá in the following words:

The task ahead...is to prove to the Everyman of this hemisphere that democracy is a vital force; that it can satisfy his material aspirations without sacrificing his spiritual yearnings; that he can have under a democratic system progressively but quickly and without giving up his personality, his individuality or his right to grasp opportunities or to exercise initiative.³²

The Act of Bogotá is the first major step in the direction of promoting social change—this is its sole object. Adopted by the Organization of American States this act recognizes:

...that the preservation and strengthening of free democratic institutions in the American Republics requires the acceleration of social and economic progress in Latin America adequate to the legitimate aspirations of the peoples...and that development programs...may have a delayed effect on social and accordingly early measures are needed to cope with needs....³³

³² Mallory, op. cit.

³³ "The Act of Bogotá," The Department of State Bulletin, XLIII (October 3, 1960), 537-538. For a complete text of the Act see pp. 537-540.

In pursuit of social development, the Act specifically provides for:

1. Measures for the improvement of conditions of rural living and land use through revising and accelerating programs for land tenure legislation and facilities to ensure wider and more equitable distribution of ownership, agricultural credit institutions to provide adequate financing to individual farmers, tax systems and procedures and fiscal policies to assure equitable taxation and encourage improved use of the land, land reclamation and settlement to promote more widespread ownership and efficient use of the land and increase its accessibility.

2. Measures for the improvement of housing and community facilities through the revision and strengthening of existing policies on housing and community facilities to improve private initiative and participation. Special consideration shall be given to the encouragement of financial institutions to invest in low cost housing on a long term basis and to building and construction industries. Programs for water supplies, sanitation and public works, training of craftsmen, research, introduction of new techniques and development of production standards are included.

3. Measures for the improvement of educational systems and training facilities through examining and broadening programs of modern methods of mass education for the eradication of illiteracy. Included are programs for training in the industrial arts and sciences with due emphasis on laboratory and work experience on the practical application of knowledge to the solution of economic and social problems. Programs

for instruction in rural schools not only in basic subjects, but also in agriculture, health, sanitation, nutrition and community improvement are included. In addition, the program encompasses courses of study in secondary schools to provide training for clerical and executive personnel in industry and public administration as well as specialized and advanced education of key professional personnel (economists, engineers, etc.).

4. Measures for the improvement of public health through development and strengthening plans and programs of national and local health services, health insurance systems, hospital and health services in rural areas, control or elimination of communicable diseases with special attention on the eradication of malaria and training of public health officials and technicians.

5. Measures for the mobilization of domestic resources through programs for maximum creation of domestic savings and improvement in financial and fiscal practices; examination of the equity and effectiveness of existing tax schedules, assessment practices and collection procedures to provide additional revenue for the purposes of this program; and revision of the allocation of revenues to provide adequate revenues for the areas of social development mentioned above.

This Act contains some lofty ideals which will be difficult to achieve. The program is not a typical straight aid program, however. It is instead a program to help the Latin Americans help themselves, and it is explicit in its self help provisions. To qualify for help,

the Latin Nations must show that progress is being made and that they are putting forth a maximum effort to promote the necessary changes. It is clear that the Bogotá program cannot have any significant impact if its funds are used merely for the temporary relief of conditions of distress. Its effectiveness depends on the willingness of each recipient nation to improve its own institutions, make necessary modifications in its tax structure, land ownership patterns, and social patterns, and mobilize its own domestic resources for a program of development. Congress has appropriated 500 million dollars to initially establish the program, and when President Kennedy requested these initial funds he stated that:

...such measures will be a condition of assistance from the social fund. Priorities will depend not merely on need, but on the demonstrated readiness of each government to make the institutional improvements which promise lasting social progress.³⁴

The funds which are to be used in the execution of the Act of Bogotá are not a substitute for economic development funds. These funds are aimed at social change and are to be administered by the Inter-American Development Bank. These funds are to contribute capital resources and technical assistance on flexible terms and conditions, including repayment in local currency and the relending of repaid funds,

...in accordance with appropriate and selective criteria in the light of resources available, to support the efforts of the Latin American countries that are prepared to initiate or expand effective institutional improvements and to adopt measures to employ effi-

³⁴ John F. Kennedy, "Message to Congress," The Department of State Bulletin, XLIV (April 3, 1961), 476.

ciently their own resources with a view to achieving greater social progress....³⁵

To provide instruments and mechanisms for the implementation of the program, provisions have been made for the Inter-American Economic and Social Council to periodically review the progress made and recommend future actions. This council is made up of some of the best experts available from Latin American countries, and their knowledge of the needs and necessary changes should put the program in proper perspective. Placing the program in the hands of those who are familiar with the culture—in local management, so to speak—will enable a comprehensive and coordinated program to be formed.

The Alliance—The Promise of the Future

With the program of social improvement embodied in the Act of Bogotá in operation, a program of economic and technological advancement can be undertaken with good prospects of succeeding. The Alliance for Progress is a present day "Marshall Plan" contemplating some twenty billion dollars in a ten year program designed to raise Latin America from the realm of the underdeveloped nations of the world. This ten year plan is designed to increase living standards, basic education, freedom from hunger and create self sustaining economic growth. This program like the Act of Bogotá places reliance upon self help. President Kennedy has stressed that:

³⁵"The Act of Bogotá" op. cit., p. 539.

...only the most determined efforts of the American nations themselves can bring success to this effort. They, and they alone, can mobilize their resources, enlist the energies of their people, and modify their social patterns so that all, and not just a privileged few, share in the fruits of growth.³⁶

The Alliance for Progress was signed by the members of the Organization of American States (less Cuba) on August 17, 1961, at Punta Del Este, Uruguay.³⁷ The objectives of the Alliance are:

1. To achieve in the Latin American countries a substantial and sustained growth of per capita income capable of assuring self sustaining development and sufficient to make income levels constantly larger in relation to the levels of the more industrialized nations. In order to recognize these goals within a reasonable time, the rate of economic growth to be maintained has been established at a minimum of 2.5 per cent per capita per year in each country.

2. To make the benefits of economic progress available to all through more equitable distribution of national income, raising more rapidly the income of the needier sectors of the population, and at the same time devote a higher proportion of the national product to investment.

3. To achieve a balanced diversification in the economic structures, both regional and functional, making them less dependent on the

³⁶ Kennedy, op. cit., p. 472.

³⁷ For a complete text see "American Republics Establish an Alliance for Progress," The Department of State Bulletin, XLV (September 11, 1961), 459-469.

export of primary goods and import of capital goods while seeking to stabilize the prices of exports and the income derived from them.

4. To accelerate the process of rational industrialization, increase the utilization of natural resources and establish and develop a capital goods industry.

5. To raise greatly the level of agricultural productivity and improve marketing, storage and transportation services.

6. To encourage programs of comprehensive agrarian reform which will eliminate the unjust structures and systems of land tenure and use.

7. To eliminate adult illiteracy and by 1970 assure, as a minimum, six years of primary education for each school age child.

8. To increase life expectancy at birth by at least five years and increase the ability to learn and produce by improving individual and public health. To attain this goal it will be necessary, among other measures, to provide adequate potable water supplies and drainage to not less than seventy per cent of the urban and fifty per cent of the rural population. Control of disease and research is also contemplated.

9. To increase production of low cost housing to replace inadequate and deficient housing and to reduce housing shortages.

10. To maintain stable price levels, avoiding deflation and inflation, bearing in mind the necessity of maintaining an adequate rate of economic growth.

11. To strengthen existing agreements on economic integration, with a view to the ultimate fulfillment of aspirations for a Latin American common market.

12. To develop cooperative programs designed to prevent the harmful effects of excessive fluctuations in the foreign exchange earnings derived from exports of primary products and to facilitate the access of Latin American exports to international markets.

In addition to the specific goals outlined above the United States reaffirmed its pledge to come to the defense of any American nation whose independence is endangered. As confidence in the collective security of the Organization of American States spreads, it will be possible to devote to constructive uses a major share of those resources now spent on the instruments of war. The United States also agreed to step up its food-for-peace emergency program, help to establish food reserves in areas of recurrent draught, help provide school lunches for children, and offer feed grains for use in rural development. Also the United States agreed to cooperate in serious case by case examinations of commodity market problems to determine methods of stabilizing prices.

Comprehensive plans covering the economic integration of Latin America include methods of finance, the introduction of multi-national transportation and communication systems, methods for coordinating the national plans of the various economies, agreements for complementary production and provisions for taking into account the special problems of the relatively less advanced countries. Plans concerning basic export commodities include enlarging markets, eliminating restrictive tariffs, studies for new uses of commodities, strengthening of international commodity agreements, disposal of surpluses, etc.

To implement these goals the Alliance embodies provisions for sweeping changes in almost every phase of the Latin American economies

including wholesale revision of trade restrictions, taxes, financial systems, etc. It further reiterates the need for compliance with the requirements of the Act of Bogotá. The program will be implemented and administered through the Organization of American States, the Economic Commission for Latin America and the Inter-American Development Bank.

The program has high prospects of producing the necessary changes by virtue of the administrative controls and planning required. The Inter-American Economic and Social Council has overall responsibility for planning and review of the program. Each nation must formulate its own detailed plans which establish targets and priorities, insure monetary stability, establish machinery for vital social change, stimulate private activity and initiative and provide for maximum national effort. These plans must reveal the policies and machinery to be used in accomplishing the aforementioned goals of the Alliance. The plans must be submitted to a special panel of nine experts attached to the Inter-American Economic and Social Council for review. This committee will study the program, recommend changes and report its conclusions to the Inter-American Development Bank and other governments and institutions that may be prepared to extend financial and technical assistance. The plans will be considered in the light of their consistency with the Act of Bogotá and the Alliance for Progress. The recommendations of the committee will be the basis for the allocation of resources. The Inter-American Economic and Social Council will review annually the progress made in the implementation of the plans and will submit such recommendations as it desires to the Organization of American States. The

overall planning and administration should be of a very high order inasmuch as the Inter-American Economic and Social Council, working with the Inter-American Development Bank and the Economic Commission for Latin America, can assemble the leading economists and experts of the hemisphere to help each country develop its own development plan and provide a continuing review of the progress made.

If the Latin American nations are willing to make the necessary changes in their economic systems and if they are willing to commit the necessary internal resources to effect this program, then it appears that the goals of the Alliance will be achieved. Secretary of the Treasury Dillon has remarked that if this is done:

The problem...will no longer lie in shortages of external capital but in organizing effective development programs so that both domestic and foreign capital can be put to work rapidly, wisely and well.³⁸

If the necessary steps are taken, the flow of foreign investment capital will increase as confidence in the future of Latin America increases. These funds, as well as others that are or will be available through the United Nations or other interested individual nations, will be a vital supplement to those that will come through the Alliance. The planning machinery is available to provide for the first time an integrated and comprehensive program to utilize these resources in an effective manner.

³⁸ Douglas Dillon, "The Freedom and Dignity of Man," Vital Speeches, XXVII (September 22, 1961), 675. To Secretary Dillon goes the credit of negotiating both the Act of Bogotá and the Alliance for Progress.

CHAPTER V

CONCLUSIONS

The problems to be solved have been outlined, and the programs for their solution have been summarized. The Alliance for Progress embodies the provisions and resources necessary for the solution of the economic and social ills of Latin America. It is a definite commitment on a long road which requires the Latin Americans to help themselves. The program as it is established is responsive to local needs through local planning and expert supervision.. The problem that remains is to insure that the program gains the support of the Latin American people. To accomplish this, the program must operate to take advantage of the values and cultures that exist in each locality and at the same time promote the changes in attitudes that are required.

Some Aspects of Implementation

Any aid program of the nature of the Alliance for Progress must take first things first. To gain the support of the people, the most pressing problems should be attacked first—those which will demonstrate some immediate gains to the recipients. The priority system of the Alliance is designed to accomplish this.

In executing technical assistance programs the possibilities of direct contact with the people must not be ignored; stress should be placed on the needs of specific communities by making each project a focus of local activity. The main function of those administering the

aid should be:

...to provide materials and direction that are not available in the local community, and to utilize fully the local resources of leadership, materials, and labor, not only for the obvious economic reasons, but even more importantly for the intangible of strengthening local identification with the project and encouraging local responsibility.³⁹

The advantages of this approach are numerous. While it may not be the most efficient method to build a school, a road or a sugar mill, it may have a beneficial effect on other communities. The spectacle of work going on may spur others to try their hand at a similar project. Another advantage of this type of project is that it may reduce the tradition of dependence—the lethargy of awaiting for the government to give the town a road or a school.

The tendency to overbuild, initially, must be avoided. In the beginning a community may not absolutely need a modern building for a school, for instance. In some areas a clearing under a tree will suffice for a school if the teacher can be provided. The tendency to overbuild has occurred in the past. Testimony in a recent senate report points a finger at the Muyurina vocational school which was condemned as "an overbuilt, overequipped plant, years ahead of the need...and too expensive, too elaborate for Bolivia to operate".⁴⁰

³⁹ Adams, et al., op. cit., p. 172.

⁴⁰ Senate Permanent Subcommittee on Investigations of the Committee on Government Operations, Administration of United States Foreign Aid Programs in Bolivia, Report no. 1030, 86th Congress, 2nd Session (Washington: Government Printing Office, 1960), 10-11.

A program such as this will undoubtedly bring many undesirable overtures concerning the United States from the Latin American countries. It is inevitable that many will feel injured in the process of change. This program is designed to cause a revolution—a complete upheaval in the values and ways of life of the people. Judgements must not be made too early if the people appear to have mixed feelings about the United States. A conflict in the voices of the Latin Americans may be nothing more than the rustlings of the first stages of freedom. Lyman Bryson has stated it this way:

A country under a dictator always speaks with one voice and has the look of either friendship or hostility, simple and evident. When a country is in a tumult of political change, it may give forth confused noises of almost every emotional suggestion. But when a country is really free, or has made substantial steps toward freedom,⁴¹ it will always show a somewhat mixed attitude toward a neighbor.

The next ten years, "the years of maximum effort and progress," will not be easy. The resistance to change will be great. Change begets change and often it will be difficult to determine the effects of one innovation. The construction of a new factory can cause repercussions throughout the whole economy of a locality which may be hard to predict. It is for this reason that effort must be placed on the development of local leadership which will have an interest and a stake in what is taking place.

There are some in our government who will become disillusioned when everything does not proceed smoothly as planned, but there are

⁴¹ Adams, et al., op. cit., p. 4.

others who realize that some setbacks are not fatal. Our problem centers on convincing all the classes of the Latin American people that these painful changes will be to their long run benefit. To quote Assistant Secretary of State Mallory:

It should not be denied that there are sectors of Latin American society in which the change process is opposed and feared. Traditional elites may feel that economic growth threatens them with displacement from their ruling positions. Indigenous societies, struggling against detribalization and other manifestations of the passing order, may see—and see correctly—in economic development the destruction of an honored way of life. And some may feel cheated of the promised benefits of growth, fruits of which in some cases come to be misinterpreted or denied.⁴²

Probability of Success

It should be clear that the United States is embarking on a new and untried path of remarkable magnitude. The Alliance for Progress is not just another aid program. It is a planned revolution requiring that the bulk of the effort be provided from within the recipient nations themselves. Self help, a new concept in aid, is the basis for the program.

The program, as agreed to by the Latin American nations, is starting out on the basis of a common understanding of what must be accomplished. The established machinery requires that progress toward the goals of the agreement must be made in order to qualify for aid. Planning on the basis of the needs of each locality is required, and these plans must be approved by a realistically constituted body which will

⁴² Mallory, op. cit., p. 18.

ensure that the plans are executed before releasing funds. This program is far removed from what is commonly referred to as a "give away" program. It has a high probability of success; because it is designed to produce independence of the Latin American nations, mostly through their own efforts. The program will give the people themselves a feeling of accomplishment and a stake in their future rather than promote continued dependence on others for economic aid.

If this program succeeds, as it must if we are to approach the day when mankind will live in freedom and dignity, the people of the United States and the Latin American nations can feel justly proud of their accomplishments. The people of the United States have already seen what will result, if this program is not carried forth to its ultimate conclusion, in the recent events in Cuba. The whole of Latin America is, in varying degrees, susceptible to the same fate; and many have started down the path which will eventually result in other Cubas. If this path is not reversed, the United States, which can afford more than all others to help mankind to achieve freedom from hunger, pestilence and despotism, will someday exist as an island in a world composed of nations dedicated to its destruction.

The United States has historically found it in its own self interest to promote democracy and friendship within this hemisphere. Now more than ever before it is in the interests of the United States to make certain that these goals are achieved. The alliance for Progress has finally provided the framework through which the people of this hemisphere can be bonded together in friendship, achieve social equity and economic progress, and promote and maintain democratic freedom.

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